

SENATE BILL REPORT

SB 6607

As of January 28, 2010

Title: An act relating to premium changes and annual deductible periods for individual health coverage.

Brief Description: Concerning premiums for individual health coverage.

Sponsors: Senators Hobbs, Pflug and Keiser.

Brief History:

Committee Activity: Health & Long-Term Care: 1/28/10.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: Health plans offering individual market products must develop the premiums using an adjusted community rate that may vary for geography, family size, age, tenure, and wellness activities. The premiums may be adjusted annually, as well as for changes in family composition, changes to the benefit plan requested by the individuals, or changes in government requirements. The annual premium adjustments typically are issued in the late spring or summer.

Health plans must submit their premium rates along with documentation to the Office of the Insurance Commissioner for review. By the end of May each year, the health plans must provide documentation for the preceding calendar year to establish the actual loss ratio and declination rate, or the percentage of applicants that were given the health screening exam and then denied enrollment. The actual loss ratio and declination rate must be used to calculate the percentage of the premium that must be paid to the state's high risk pool, the Washington State Health Insurance Pool.

Individual health plans typically include a deductible, or dollar amount that must be spent before the plan coverage begins. Deductible periods run on a calendar year basis. The calculation of deductibles that are used for catastrophic health plans, or high deductible plans, are modified by the Insurance Commissioner annually to reflect the percentage change in the consumer price index for medical care for the preceding 12 months. The commissioner must increase the minimum deductible each July for health plans to use the following January with the new calendar year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Individual health plans include a guarantee of continuity of coverage, meaning the person may continue to purchase the product as long as they pay premiums, and the plan may only stop selling the product for specified reasons such as non-payment of premium. The individual contract is renewed each month as the monthly premium is paid. There is no obligation on the part of the individual to continue purchasing the product for a full calendar year, nor any financial liability to pay the premium for the full calendar year.

Summary of Bill: All individual health plan policies issued or renewed on or after January 1, 2011, must align the annual premium change and the annual deductible period. References to a calendar year deductible are modified to an annual deductible, and the requirement for the commissioner to adjust the minimum deductible amount for catastrophic plans is changed from July of each year to an annual adjustment to be used in the next annual deductible period. The Insurance Commissioner may adopt rules to implement this act.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: It is difficult for people that buy individual policies when their premiums increase mid-year. It is hard to purchase another plan mid-year if they've spent toward their deductible.

CON: This is confusing for plans. The plans have made provisions for individuals that want to switch plans with the same carrier in mid-year and give credit toward the deductible expenses, but not if the individual wants to switch to another carrier. The carriers do have different timeframes for their annual premium increases. An alternative may be requiring carrier's individual plans to all renew on a specific date, although it is important that they not renew in January because most of the other business renews then and the administrative impact would be too difficult. In addition to the deductible, there are other benefits that have coverage limitations or calculations that run with the calendar year like the co-insurance maximums, mental health benefits, prescription benefits, spinal manipulations, and some preventative care benefits.

Persons Testifying: PRO: Senator Hobbs, prime sponsor.

CON: Amber Ulvenes, Group Health; Kathy Gano, Premera Blue Cross; Ross Baker, Regence Blue Shield.